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AUTHOR deSilva, Indrawansa
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ABSTRACT

The global flow of telefilms has been one of the most debated issues in international communication in recent years. In an attempt to explain the process of global program flow, several theoretical frameworks have been developed, and the "media imperialism" thesis became the most prominent among them. The "media imperialism" thesis, however, did not succeed in explaining the issues concerned. The failure of this model is due to: (1) its failure to take into account the economics of the telefilm industry; (2) its failure to consider the "public good" nature of telefilms; and (3) its over-concentration on the end result of the flow of telefilms, i.e. the social effects, and not its economic causes. The global flow of telefilms can be more effectively explained using a sub-section of micro-economic theory called the Industrial Organization Model. Empirical evidence suggests that the market under review has been behaving in a manner best explained by micro-economic theory. (One table of data and 72 footnotes are attached.) (Author/MM)

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AMERICAN TELEVISION AROUND THE WORLD: AN ECONOMIC ANALYSIS OF "MEDIA IMPERIALISM"

Indrawansa deSilva

Department of Telecommunication
Michigan State University
409 CAS Building
East Lansing Michigan 48824-1212
(517)355-9910 / 353-0810

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ABSTRACT

The global flow of telefilms has been one of the most debated issues in international communications in recent years. In an attempt to explain the process of global program flow, several theoretical frameworks have been developed and the "media imperialism" thesis became the most prominant among them. The "media imperialism" thesis, however, did not succeed in explaining the issues concerned. This paper argues that the "media imperialism" thesis failure is due to (a) its failure to understand the economics of the telefilm industry; (b) its failure to understand the "public good" nature of telefilms and, (c) its over-concentration on the end result of the flow of telefilms, i.e. the social effects, and not its economic causes.

In this paper an attempt is made to explain the global flow of telefilms using a sub-section of micro-economic theory called the Indusrial Organization Model. The empirical evidence suggests that the market under review has been behaving in a manner best explained by micro-economic theory. There appears to be no difficulty in fitting the model to explaining market behavior in this case.

AMERICAN TELEVISION AROUND THE WORLD: AN ECONOMIC ANALYSIS OF "MEDIA IMPERIALISM"

One thing an American would not miss elsewhere in the world is home-made television. From "I Love Lucy" to the latest episodes of "Miami Vice" or "Dallas", American programs can be seen on most of the television screens around the world. For the importing countries, American programs are a phenomenon similar to what "Honda" or "Toyota" represent to Americans: something they may not want in principle but which makes a great deal of practical sense.

"Miami Vice', "Dallas" or "I Love Lucy", however, are regarded to bring more to those importing nations than "Honda" or "Toyota" bring to America. They not only drive local producers out but are believed to be loaded with cultural values that have an undesired impact upon authentic local cultures - a process called acculturation. Based upon potential cultural influences of the transnational flow of media products, some scholars argue that the process of communication "includes much more than the messages and the recognizable circuits through which the messages flow."[1]

Over the last two decades a whole body of literature has been devoted to describing issues concerning the international flow of television programming. In fact, it became one of the most debated and highly controversial issues in international communications. In an attempt to explain the flow of cultural products across national boundaries, students of the subject put forth several theories.[2] All these theories, more or less, originate from the "media imperialism" thesis. Global forums, such as, the United Nations Educational Scientific and Cultural Organization (UNESCO) and the Non-Aligned Movement had this issue high on their agendas. The predominant feature of the debate, however, has been the "social, cultural and political impacts" of the global flow of television programs.

The magnitude of the socio-cultural influence of American television programs abroad was such that some critics regarded it as "part of a general effort of the American military industrial complex to subject the world to military control, electronic surveillance and homogenized American commercial culture."[3] The early writings on this subject suggested that non-economic motives are the driving force behind American television program exports. This, in fact, was the first form of the "media imperialism" thesis which provided the theoretical framework for analyzing the international flow of telefilms. As a result, the economics of this **trade** remain yet to be fully explained. The purpose of this paper, therefore, is: (a) to explain the economics of the global flow of television programs; and (b) to propose an alternative model to the "media imperialism" thesis.

Prelude

Despite criticisms and precautionary measures taken by importing nations to put a lid on program imports, the American telefilm industry has shown continuous growth in the world market. At present, the United States accounts for an estimated 79 percent of the television program export market.[4] The foreign sales of telefilms were making $100 million a year in 1967[5]. Sales grew to a half a billion dollars in 1983[6], and to one billion dollars in 1986[7] - a one hundred percent increase in just three years. With more and more media outlets opening up in Western Europe, the Third World and the socialist nations as a result of privatisation efforts and technological changes, the demand for programming appears to be increasing and Hollywood's role as a major supplier will likely continue in years to come.

The dominance United States holds in the industry has never been contested. On the contrary, it has been supported by empirical evidence. The extensively quoted UNESCO study by Nordenstreng and Varis on the international flow of television programs concluded, among other things, that (a) a one-way flow of TV programs from the big exporting countries to the rest of the world exists; (b) their exports are primarily entertainment in nature; and (c) the majority of programs exported originate in the United States.[8] A repetition of the same study by UNESCO a decade later in 1983 confirmed earlier findings when it concluded that,

"no major changes in the international flow of television programs and news have taken place since 1973".[9] The UNESCO studies settled something well known for a long time: America is the world leader in the television business.

The influx of American TV programs, however, was not welcomed by host countries for two major reasons. First, it is believed that foreign, mainly American, programs have adverse effects on host cultures. Second, the foreign programs are said to be an obstacle to growing local media industries. However, it became a matter of economic necessity as they grew dependent upon them. Simply put, it is cheaper to buy American programs than it is to produce indigenous programming. For example, in Europe it cost an average of $500,000 to produce an hour-long TV drama while the average purchase price of an hour-long American TV program cost less than a tenth of that.[10] In similar vein, telecasting rights for an hour-long American program can be purchased for a mere $50 in Bermuda.[11] So it makes perfect economic sense to buy American.

It is in this context that we propose that the global tele-film industry is motivated primarily by economic imperatives with profit maximization as the major goal. Its behavior can therefore be explained using micro-economic principles. While we do not negate potential cultural and/or political implications the American programs may have on host nations, we suggest that they are mere by-products of the commercial process. Any attempt to explain this commercial process by illustrating its consequences is tantamount to building a house from the chimney down. Furthermore, proper understanding of the commercial nature of this industry is a pre-requisite for comprehending its consequences.

To support our proposition, we will attempt to analyze the international telefilm market using a sub-section of micro-economic theory called the Industrial Organization Model. The model is built upon three simple concepts - market **structure**, market **conduct** and market **performance**. "Structure" refers to the relatively stable features of the market such as, seller/buyer concentration, product differentiation, and barriers to entry. The structure

of markets influence the rivalry among buyers and sellers. "Conduct" focuses on the policies players adopt in a market such as, pricing behavior, legal tactics, advertising, and research and development. "Performance" is how economists appraise whether a given industry efficiently uses a society's scarce production factors. This is done by looking at production and allocative efficiency, full employment, and equity.[12] Economic theory argues that structure determines conduct which in turn, determines performance.[13]

The rest of this paper is designed to (a) take a critical look at the "media imperialism" thesis; (b) analyze the "public good" nature of the product we are dealing with; (c) study the global telefilm marketplace; and (d) make an attempt to explain the global telefilm industry applying the Industrial Organization Model.

An Overview of the "Media Imperialism" Thesis

There is widespread usage of the terms "cultural imperialism" and "media imperialism" when discussing the same subject matter. A distinction is called for at this point. Unfortunately, among the vast body of literature it is difficult to find such a clear distinction. According to Chin-Chuan Lee, however, neo-Marxists prefer to use the term "cultural imperialism" because they regarded "'Media imperialism' as a subset of 'cultural imperialism'"[14] Lee's argument appears justifiable when looking at the writings of Schiller[15], and Nordenstreng[16] who prefer the term "cultural imperialism". Writers such as, Tunstall,[17] Boyd-Barett,[18] and Katz and Wedell[19] prefer to use "media imperialism". The majority of the literature, however, uses the two terms interchangeably. Although the use of either term does not affect the present analysis, we use the term "media imperialism" because our concentration on telefilms fits better with it than "cultural imperialism" which could provide an umbrella for a large number of cultural attributes.

It is the early writings of Herbert Schiller which introduced the concept of "media imperialism." In his two controversial books, **Mass Communications and American Empire** and **Communication and Cultural Domination**, Schiller looked at the American telefilm

industry as a part of an attempt by the U.S. military industrial complex to subjugate the world. Although the economic benefits of wider markets are apparent, says Schiller, "more significant, if less well understood, is the vanguard role American commercial communications media assume in the propagation and extension of the American business system and its values to all corners of the international community".[20] Moreover, the cultural and political implications are not incidental or secondary, argues Schiller. Rather, the industry is driven by political and cultural motives. Schiller does not rule out a conspiracy in this process. In his own words: "if conspiracy is absent in the American commercial electronic invasion of the world, there is all the same a very clear consciousness present of how to utilize communications for both highly ideological and profitable ends."[21] As a result, "gunboat diplomacy" has been replaced by the thriving business of "communication diplomacy".[22]

Subsequent writings on the issue, including Schiller's own, took a milder stand. Nordenstreng and Varis,[23] while pointing the "profit making" and "conscious control" objectives of Western mass media industries, did not appear to subscribe Schiller's conspiracy theory. They are, however, of the opinion that international communication modes are "a manifestation of the ruling interests of the societies from which they originate and not a unanimous output of the nations involved".[24] Alan Wells,[25] applying "media imperialism" thesis to the Latin American context argues that American television "distorts" the entire economic fabric in Latin America. Latin America's heavy dependency upon the United States for hardware, financing, advertising and most of all, for programming, says Wells, drove all Latin American nations, except Cuba, from "producerism" to "commercialism".

The most comprehensive analyses of the "media imperialism" thesis up to date can be found in Chin-Chuan Lee's book **Media Imperialism Reconsidered**. In this work, Lee provides a detailed description of the "media imperialism" thesis and correctly identifies that "no independent, well articulated, and convincing body of theory about cultural

imperialism has been developed," and, "the concept of cultural imperialism' is generally vague and stands in need of a more precise definition." But, Lee provides no alternative to the "media imperialism" thesis. Instead, he furnishes a set of "remedies" to Third World nations on how to use mass media to reach national development goals and how to "stem" media imperialism.

It is evident that the "media imperialism" thesis had been originally put forth on the assumption that there is a hidden agenda or conspiracy in which the American telefilm industry is attempting to subjugate the world. Over the years, these assumptions grew milder but never totally disavowed. As has been pointed out elsewhere in this paper, advocators of the "media imperialism" thesis and students of the issue failed to realize or did not totally acknowledge the commercial nature of this trade. It appears that they were carried away by the huge imbalance in the nature of trade where the United States has an undisputable dominance. This large trade imbalance was attributed to a conspiracy or a hidden agenda and consequently the flow of cultural products were analyzed on the basis of their potential cultural effects and implications. As a result, after almost two decades of essay writing we are still no better than in the late sixties in understanding the global flow of telefilms. It is under these circumstance we believe that an economic perspective is a proper beginning to understanding this issue.

From an economic point of view it is hard to accept that an industry like international telefilms can exist and thrive over the decades without economic motives. Economists assume that businessmen act to maximize profits. Although some of the explanations resulting from the "media imperialism" thesis may contain an element of truth as applied to particular cases, they fail to explain the flow of cultural products in general and telefilms in particular. If we were to accept that non-economic motives drive this industry, it requires the rejection of conventional economic theory. In this analysis we suggest that, like any other industry, the telefilm industry relies upon profit maximization. If firms do not consider profit maximization as their primary goal, sooner or later, they will be phased out

from the market. Moreover, it is hard to predict how markets will behave without assuming that sellers try to maximize profits.[26]

It may be the nature of the product that we are dealing with which brings such complexity to the analysis. For instance, some accused the United States for dumping "cheap" programs in Third World nations and some try to explain the flow of telefilms using "product life cycle" theory.[28] Both these approaches show lack of understanding of the nature of the product at issue. First, the so called "cheap" prices are viable due to the "public good" nature of telefilms. Second, in regard to the product life cycle theory, Raymond Vernon's original work[29] cannot be interpreted to include telefilms as a product for which the theory could apply. Interestingly, if the life cycle theory applies to telefilms, the United States would now be in a position of importing most of its television and movie fare from, say, Taiwan or Bangladesh. Having this in mind we begin our analysis with an examination of the nature of our product: telefilms.

Telefilms as a "Public Good"

Telefilms, possess a peculiar characteristic crucial to our discussion. Economists call them "public goods". To denote a good or a service as public good, economists look for goods or services having one or more of the following attributes. First, everyone in the society "consumes" the same amount of the public good; second, the marginal cost of serving another consumer of the public good is zero; and third one's consumption of the public good does not decrease the amount of the good available for someone else to consume.[30] Commodities that satisfy all three of these attributes are called "pure" public goods. The text book example of a pure public good is national defense.[31] Because, everyone in the society "consumes" or "benefits" from it equally; the marginal cost of serving another consumer is zero; and one member's consumption does not decrease the amount available to another member.

Economists consider telefilms to qualify as very nearly a pure public good. This is more true when we consider telefilms in the context of the global market. The production

cost of a telefilm is independent of the number people who eventually watch it. The program remains available and unchanged irrespective of the people who see it.[32] Thus, it is the first copy which takes virtually the entire production cost. The cost of making a second, third or hundredth copy is just the cost of physical tape or film and processing which are negligible compared to the cost of making the first copy. International syndicators even get away with the expenses of making additional copies of a program by using a procedure known in the industry as "bicycling", i.e. the same copy of a program is shipped to the next country by the network or the station using the program as a part of the purchase agreement. Thus, telefilms satisfies more than one attribute needed to be denoted as a public good.

The public good nature of telefilm plays a crucial role in our analysis. It explains why a million dollar program is sold for ten thousand in Western Europe and as little as fifty dollars in Bermuda. It also explains why the Third World is a so called "dumping ground" for "cheap" American programs.[33] Unlike making an automobile or a computer to be sold abroad, where each additional unit actually cost the same amount in raw material and labor, all a telefilm requires for export is an extra copy. It neither affects the local product nor it deprives the local market. As Thomas Guback succinctly put it, "we can have our films and foreigners can have them too".[34] The public good nature of telefilms thus allows American producers and distributors to function by the principle described by an industry spokesman as, "draw whatever price a market can bear".[35] The public good characteristic also nullifies the "dumping" accusation. Although dumping occurs when a product is sold to foreign purchasers at a price lower than the price charged for the identical product on the domestic market,[36] it is the public good characteristics of telefilms which allow Hollywood to sell their products inexpensively.

The Global Telefilm Marketplace - An Overview

It would be difficult to discuss the global telefilm industry without any reference to the motion picture industry. First, the telefilm industry can be considered as an logical extension of the motion picture industry. It uses practically the same production studios,

same distributors etc., etc. Second, for decades the American movie industry faced similar criticisms the television industry faces today. In fact, those advocating the "media imperialism" thesis often include both the movie industry and the television industry together in their analysis.

As early as 1929, the Motion Picture Producers and Distributors of America (MPPDA), the early version of the Motion Picture Export Association of America (MPEAA), was accused of sending "discarded" American films abroad. The industry's prompt defense was: "that is utterly and completely untrue. In the first place there is an economic reason against it. The average picture costs between $300,000 to $400,000 and at least 70% of the revenue comes back from American exhibitors, the remaining 30% coming from abroad."[37] This "economic reason", i.e. to cover production deficits at home, as MPPDA bluntly put it, remained unchanged for years to come and carried over to the telefilm industry as well. The MPEAA, after 30 years, expressed the same views as did the MPPDA in the 1920's.

> With the tremendous and steadily rising cost of production for both media, the domestic market alone cannot support a profitable operation.... The plush days of assured profit from the U.S. market in motion picture production ended many years ago, and the same thing is already true of television film. A producer is fortunate today if he can repay his negative costs from a network sale. His overhead and possible profit must come from the 'residuals' - rerun sales after the network run and distribution in the international market.[38]

As MPEAA clearly pointed out, the network price - the major outlet - hardly covers the production costs. For example, in 1981 networks paid an average of $300,000 per half-hour prime time episode.[39] The figure rose to $325,000 in 1983[40] and for 1985-86 season it was paying only $350,000 for productions with costs averaging over $500,000 per half-hour. According to Broadcasting, "half-hours" are now being produced at deficits of as much as 40 percent.[41] Some action-adventure type programs, such as "Miami Vice", are reportedly running deficits in the range of $500,000 an episode.[42] Thus, the producers have to rely upon off-network and international syndication to recoup the costs and make some

profits.[43] The problem with off-network, however, is that a series has to be successful in its network run in order to make it to syndication since syndication requires at least five years of network programming. That is approximately 100 original episodes (22 originals per year). Thus, only series with reasonably solid ratings were able to make it to the syndication market and there has been a shortage of such programs over the last five years. Unlike the syndication market, however, even a series with 7 or 13 episodes has potential in international markets because they can cover a half or a full season. For this reason, the international market serves as a major outlet for successful as well as unsuccessful American programs. The industry is well aware of this fact. According to Bruce Gorden - President, Paramount Television International, "The role of international sales in financing the cost of production has grown in importance, from its former place as a 'fruit on the sideboard' to a critical role in making a series profitable".[44] This fact motivates producers to create program with mass appeal. The industry is responding to that as well, says Warner Communications, "[b]ecause we are almost always trying to reach **all** the people, we have found common denominator values that no other society can match".[45] The recent growth of co-productions and on-location shooting of mini-series in Europe also attests to the attempt by producers to make programs internationally palatable. This recognition, contrary to the assumptions of the "media imperialism" thesis, explains how the Hollywood acts to maximize profits by responding to the signals being sent to the market.

Although the flow of telefilms is found to be a one-way street, the host nations need American programs as much as American producers need to sell them. There are two major reasons for that demand. First, as pointed out earlier, even for an affluent nation, it is cheaper to buy American programs than to produce their own. Second, the reasons to buy foreign programs go beyond monetary factors. As Sydney Head pointed out, national cultural and talent resources of a country impose a ceiling of their own even if they do have the money and the wish.[46] The circumstances, however, are worse in the Third World. They not only lack cultural resources but are also short of the financial resources required for expensive production tasks. Hence, the heavy dependency on the West.

The United States' dominance in the industry can be attributed to the barriers to entry it has developed over the years, namely, (a) the financial and cultural resources it possesses; (b) its large domestic market; (c) the experience and market knowledge; (d) the medium of language used for the programs; and (e) the legal advantages the U.S. enjoys in international settings. We shall return to these later in our analyses.

Market Trends

The New York Times reported the changing picture of the European mass media scene by saying "American television programming is being snapped up at a rapidly increasing rate in Europe as a host of new television networks and stations take to the air from Spain to Finland".[47] This is just a fraction of what is happening in the European scene as a result of dual trends of privatisation and deregulation of mass media. Privatization started in 1976 when the Italian courts decided to allow free entry into commercial broadcasting. Italy, as seen by John Eger, senior vice president of CBS Broadcast Group Worldwide Enterprise, overnight became one of the most wide open television markets in the world, with virtually no limits on programming or advertising. The only national network in Italy, RAI, before the 1976 court decision, increased into three commercial networks a year later with 600 independent networks, thus creating a heavy demand for programs.[48] The three commercial networks alone put 40,000 program hours on the air in 1987.[49], and the U.S. got a 62% share of that.[50] From deregulation in 1976, advertising revenue for private TV in Italy went from zero to $470 million[51] by 1983, making the networks financially viable in the programming market.

After four decades of state monopoly, privatization started to take place in France in 1985. With deregulation, France doubled its TV networks from three to six and put four of them under private ownership. France expects to add four more channels this year with the launching of a broadcast satellite in collaboration with the Germans.[52] With the introduction of new channels including Canal+ and TF-1, which were not affected by quotas, the demand for programs in France escalated. For example, in 1986 Lorimar Telepictures

Corporation sold 13 episodes in France for between 12 to 15 thousand dollars each. In 1987, Lorimar reportedly sold 150 episodes for about $50,000 each.[53] The heavy demand for programming in France created "bidding wars" between networks which in turn increased the prices paid for American programs. For instance, La-5 has reportedly outbid "Dallas" from the previous rights-holder TF-1, by paying 50% more.[54] According to Variety, 76% of TF-1's programs were of non-European content in a sample week of February 1988.[55]

Aside from the trend towards privatization, Western European countries are witnessing a massive restructuring of their mass media with the application of new technology to their broadcasting systems. The key actor appears to be Direct Broadcast Satellites (DBS), a technology rapidly moving to the center of the European broadcasting picture. A roof-top satellite dish seems to be a worthwhile investment for program-hungry Europeans. Although DBS in Europe beams signals directly to roof top antennas, the most popular delivery system is satellite-to-cable services currently sweeping Europe. The United Kingdom is serving as the West European hub for many privately-run satellite-to-cable program services. Examples are, Rupert Murdoch's UK based "Sky Channel", UK's "Super Channel", Scandinavia's "Scansat" and Luxembourg's "Coronet". Sky Channel alone reaches an estimated 5.5 million TV households through nearly 300 cable systems in a dozen European countries.[56]

The most important result of these changes is the heavy demand they have created for programming. The on-going state monopolies to become private run systems are creating a demand for programming only the large film inventories in Hollywood are able to supply. According to European Community (EC) predictions, if every potentially available TV channel in Europe were to begin programming, there would be an annual demand for 500,000 program hours per year.[57] With all the EC countries together making less than a tenth of that amount, Europe will have to depend heavily on foreign suppliers for their programming.

American producers are already on the move. Atlanta based Cable Network News (CNN), went to Europe as a pay service for hotels in 1985. CNN now has 33,000 paying hotels

in Europe with 20 newly subscribing hotels every month. From hotels, CNN moved to cable households and earned 350,000 subscribers. West Germany is expected to sign-up this year with another 330,000 subscribers and plans are underway to go to Holland with another 350,000 subscribers.[58] Interestingly, despite its increasing popularity, CNN is loosing money in its European venture and reportedly will continue to do so for another two to three years. But, CNN does not plan to withdraw. Rather, according to Terry McGuirk, Turner Cable Network's Sales President, CNN is going to grow it as seen fit with low budget and their "deep pockets". Just like CNN did it at home in the beginning.[59]

Not only in Europe is demand growing. It is coming from the Third World as well. The number of TV receivers in the developing world increased four fold from 1970 to 1985. Many countries introduced the medium and penetration in countries where the medium already exists is increasing (see Appendix 1). Although these markets are small and face severe foreign exchange problems, they are never left behind. The principle of "drawing whatever price a market can bear" is at work and the "public good nature of telefilms allow these markets to function without losses.

The latest move to make money from economically deprived countries in the Third World is "barter" agreements. Programs are bartered by sellers for a mutually agreed amount of commercial time per hour and, in turn, the commercial time is sold to multinationals. The Chinese case is a good example. CBS International negotiated with the Peoples Republic of China to provide 64 hours of programs a year in exchange for five minutes of commercial time for each hour.[60] CBS sold the commercial time they bartered to such multinational corporations as, IBM, Kodak, Proctor & Gamble, and Boeing, for $300,000 a year for predetermined number of 30 seconds spots. CBS International is at the negotiation table with India for a similar deal and aiming for Eastern European countries with similar deals.[61]

What does all this suggest? First, the global telefilm industry has emerged from the motion picture industry with the proliferation of television worldwide and with the United

States holding a strong position in the market. The "public good" nature of telefilms allow U.S. producers to compete in international markets successfully and extract any revenues it can from developing countries. There is the escalation of demand in Europe as deregulation opens up markets and new technologies offer alternative program delivery systems. Then came the innovative move by the industry to barter programs in exchange for advertising time as a means of funding production. With this empirical evidence we turn to the theory for an explanation.

THE INDUSTRIAL ORGANIZATION MODEL AND THE GLOBAL TELEFILM INDUSTRY

As referred to earlier, the industrial organization model is built upon three mutually interdependent concepts of a market, namely, structure, conduct and performance. Structure influences rivalry among the buyers and sellers of a market, while conduct concerns the policies sellers adopt. Performance is how economists appraise the efficiency of the industry. Economists define a market as "a group of buyers and sellers of a particular product engaged in setting the terms of a product" and an industry as "the sellers participating in a given market producing that product."[62] For the purpose of our analysis we have defined our market as global and we interchangeably use the term international to denote the same. Our definition covers any country that takes part in the buying and selling of telefilms. Following is an outline of the Model as detailed by Richard Caves[63]

MARKET STRUCTURE
Seller/buyer Concentration
Product differentiation
Barriers to entry
Fixed cost and barriers to exit
Growth rate of market demand

CONDUCT
Pricing behavior
Product strategy
Discouraging entrants or coercing rivals

PERFORMANCE
Product & allocative efficiency
Full employment
Equity

Structure of the Global Telefilm Industry

As identified by Caves in the above outline, there are four major elements in market structure. Depending on the product and the type of the market under review, some of these elements need more attention while the others less. Let us consider the first element.

Seller Concentration

Seller concentration is the degree of concentration economists look at. It refers to the number and size of sellers in a given market. Although there are several techniques to measure concentration, most widely used is the **concentration ratio**. It is computed by ranking firms in order of size starting from the largest to the smallest. Usually economists are concerned with the concentration ratio of the top 4, 8, or the 20 firms of an industry either by sales or employees.[64] When we figure that the United States alone has a 79% share of the global market, it is clear that a highly concentrated industry with near monopoly market power exists.

Buyer Concentration

The number of buyers in a market does affect the profits of an industry. The more concentrated are its buyers i.e. fewer in number, the lower the profits of an industry.[65] When we consider buyers as individual countries, and more than one buyer in many countries except where the broadcasting is government controlled, we can see that global telefilm buyers are less concentrated giving sellers more leverage in the market. Nowhere in our analysis did we see any collective bargaining attempts on the part of buyers. On the contrary, what we witnessed was less concentration **within** countries with the advent of new channels as a result of privatization, and technological innovations in the major markets. The reported "bidding wars" in France, Italy, and Britain, are cases in point. This situation is what economists might term a "seller's market".

Product Differentiation

Product differentiation is the extent to which buyers perceive, real or imagined, differences among the products of various sellers. If a product can register some uniqueness in the consumer's mind, the demand for that product can be less elastic. This provides the seller with more market power. It takes no effort to argue that each television program is a different product in the viewer's mind. The best evidence to support this argument is the commercial ratings system. Different programs get different ratings simply because they are liked or disliked differently. Moreover, when an American program goes to the international market, it is an American product, supposedly bearing the "made in Hollywood" sign which means, different props, a unique cast, more advanced special effects etc., etc. Thus, "Dallas" is not a perfect substitute for "Family Ties", or the "Cosby Show" or vice-versa in the viewers' mind. As a result, they can hardly be replaced by an Italian, Indian or a German program.

Barriers to Entry

Here we look at how easy or difficult it is for a new seller to enter the market. Barriers can take many different forms. They can be scale economies, or absolute cost barriers. Product differentiation can be a barrier as well.[66]

The production of telefilms involves high fixed costs. Besides the variable costs such as talent and story rights, the technical and studio facilities require major financing. In the home market (United States) fixed costs does not work as a barrier due to the existence of the rental market.[67] No producer in the U.S. will think about building his own studio and buying his own equipment to produce a series. Instead, they can be rented. But in the global market, high fixed costs do create a barrier. If a country were to produce its own programs, the production studios would have to be built and technical facilities to be bought. In fact, no country can match the major production facilities Hollywood developed from the early movie days currently being used for telefilm productions as well. The need for such facilities,therefore, creates a barrier for the new entrants.

The United States also enjoys the "deep pockets" of conglomerates like Warner, MCA, Paramount, and Columbia, to name a few, who are involved in the production process. The current trend of mega mergers would certainly "deepen" the pockets of major producers an extent no one can imaginably match. For a conglomerate, a loss in one production can be covered by the success of another series or from their deep pockets. This is exactly what CNN is doing in Europe by running in the red for years until it breaks even. Very few countries, if any at all, have the financial resources to do this in the global market.

Another barrier for new entrants is the large local market the U.S. producers enjoy at home. A large portion of the revenues are recouped from the home network market and in some cases more from the syndication market. Some producers even make profits from the home market getting more leverage to deal in the global market.

Barriers to exit

Some of the entry barriers themselves create exit barriers. This is true when a product requires high fixed costs. If a country wants to built high cost production facilities it is subject to high risks because if it cannot get a reasonable market share the facilities have very low salvage value. Thus high fixed costs in telefilm industry not only impede exit but also make potential entrants think twice before entering. This aspect partially explains why foreign countries buy American programs rather than trying to make their own at high risks.

Conduct of the Global Telefilm Industry

Conduct concerns the policies firms adopt toward price setting, product quality and how they discourage rivals. Economic theory tells us that each type of industry provides a different scope for firms to choose their conduct.[68] That is, the monopolists' behave differently than a firm facing perfect competition. The preceding discussion described a market structure characterized by a high degree of concentration. This has given the U.S. near monopoly power in the market and its conduct in this market has shaped up accordingly. Let's look at each of these characteristics.

Price Setting

Given monopoly market power, the only choice open to the seller is whether or not to be a profit maximizer. The monopolist can settle for any price he thinks "reasonable".[69] We have no difficulty in seeing how this works in the global market. What we see is huge discriminatory prices for different buyers ranging from $50 to $50,000 for the same product. In theory this is called price discrimination. In order to discriminate prices, a firm must meet three conditions: (a) the firm must possess some market power; (b) the demand functions for the individual consumers [in our case, buyers] must differ; and (c) the different markets must be separable.[70] In the case of the telefilm market we see that the U.S. as a seller, meets all the above conditions. It possess a 79% market share, the different countries face different demand curves, and the markets are indeed geographically separable.

Product Quality Setting

When a product can be differentiated the producer is faced with the question of whether he can raise his profits by changing the "quality" of the product. Research and development costs are aimed towards this goal. How does this apply to telefilms? Popular talent with high price tags, expensive on-location shooting, and costly special effects are indices of the quality of telefilms. The fact that "Miami Vice" is running a $500,000 deficit per episode at production level brings no fear to the producers for they know the long-run profits from syndication and international markets will make up this shortfall if the product is of certain "quality".

Coercing rivals

The price setting and quality concerns often change the market environment. Some producers purposively use them to drive their rivals out of business or sometimes simply to "tame" them. Producers with high market power or with "deep pockets" can behave like this. This behavior is termed "coercive" conduct.[71]

A notorious coercive device is known as predatory price cutting. According to Scherer, the most extreme form of predatory pricing takes place when a seller holds price

below the level of rivals' costs (and perhaps also his own) for protracted periods, until rivals are forced out of business or tamed.[72] Is the below cost prices U.S. producers charge in overseas markets predatory? Do they mean to drive the rivals out? The answer for the first question, in fact, is a conditional "no", meaning they are not predatory price cuts but serve that purpose. The explanation lies in the public good nature of telefilms. For example, the hundredth copy of "Dallas" sold in, say, Jamaica, for $150 is not equal to a $13,000 Ford sold for $3000 in a foreign market to drive the rivals away to secure monopoly power to enjoy long-run profits. This is so because the additional unit of Ford cost the same amount and the additional copy of "Dallas" does not. Moreover, these so called "below cost" prices of telefilms have been such for decades and not for a temporary period as theory suggests. However, the end result, indeed, is similar to the effects of coercive conduct. They do keep rivals away.

Market Performance

This is where economists take stock of a given industry to see whether it provides the maximum economic welfare for the members of that economy. Naturally this section takes us to a rather complex situation because we are dealing with a product that is primarily made with the home market in mind but which is also sold in international markets. But as far as the international market is concerned, the lower prices are the benefits of international trade. In pure economic sense this is making maximum use of society's production factors. If this is true, what does the hue and cry about the ill effects of foreign programming concern? This is where the social and cultural implications come in to play and where economists fail to go. The cultural price any nation is willing to pay as a result of potential ill effects of foreign programming is dependent upon how much they are willing to spend individually to "protect" their respective cultures from the external onslaughts. So it is, in fact, a compromise between cultural sovereignty and economic interests that independent nations must reach. Market performance, therefore, should be evaluated on case by case basis. Unfortunately it is this performance, that the advocators of media imperialism have been trying to resolve over the last two decades without weighing all of the necessary factors.

CONCLUDING REMARKS

This paper makes an attempt to explain the international telefilm market by using a sub-section of micro-economic theory called the industrial organization model as an alternative to the "media imperialism" thesis. The empirical evidence suggests that the market under review has been behaving in a manner consistent with economic principles. Sellers are trying to maximize profits while operating under market conditions in the industry. There appears to be no difficulty in fitting the model to explaining market behavior in this case. What is not apparent in our data is any effort by the U.S. or any other nation to behave in a manner consistent with non-profit maximization motives. While we do not contest any potential negative or positive effects the foreign programs may have on those importing countries, they appear to be by-products of a commercial process.

Appendix 1

WORLD DISTRIBUTION OF TV RECEIVERS
(millions)

	1970	1975		1980		1985	
	No	No	% Increase (1970=100)	No	% Increase (1970=100)	No	% Increase (1970=100)
World	278	394	41.7%	547	96.8%	613	120.5%
Developed Conts.	255	353	38.4%	547	84.7%	521	104.3%
Developing Conts.	23	41	78.3%	76	230.4%	92	300.0%
Europe(Incl. USSR)	125	169	35.2%	232	85.6%	247	97.6%
North America	92	133	44.6%	166	80.4%	197	114.1%
Asia	38	56	47.4%	89	134.2%	102	168.4%
Africa	0.3	0.6	100.4%	3.5	1066.6%	4.0	1233.3%
Arab States	1.9	3.4	78.9%	9.7	410.5%	11.4	500.0%
Ocenia	3.5	5.5	57.1%	6.6	88.6%	7.6	117.1%
Latin America & The Caribbean	17	27	58.8%	39	129.4%	45	164.7%

Compiled from: UNESCO Statistical Yearbook, Paris: 1986

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